

Anglo-Rouyn

MINES LIMITED

MERGED WITH CANADIAN MEMORIAL SERVICES LTD.
IN 1973

NAME, CANADIAN MEMORIAL SERVICES LTD.,
CHANGED TO ARBOR CAPITAL RESOURCES INC.
IN 1975

Annual Report 1970

Anglo-Rouyn

MINES LIMITED

120 ADELAIDE STREET WEST, TORONTO 1, CANADA

Officers

R. D. Armstrong	-	-	-	-	-	-	President
G. R. Albino	-	-	-	-	-	-	Vice-President
W. P. Arnold	-	-	-	-	-	-	Vice-President
A. C. Turner	-	-	-	-	-	-	Secretary
J. Van Netten	-	-	-	-	-	-	Treasurer
M. D. Lawton	-	-	-	-	-	-	Mine Manager

Directors

G. R. Albino	-	-	-	-	-	Toronto, Ontario
R. D. Armstrong	-	-	-	-	-	Toronto, Ontario
W. P. Arnold	-	-	-	-	-	Toronto, Ontario
R. L. Shirriff	-	-	-	-	-	Toronto, Ontario
J. D. Taylor, Q.C.	-	-	-	-	-	Toronto, Ontario

Head Office

120 Adelaide Street West - - Toronto, Ontario

Transfer Agent and Registrar

Crown Trust Company - - Toronto, Ontario

Shares Listed

Toronto Stock Exchange	-	-	Toronto, Ontario
Canadian Stock Exchange	-	-	Montreal, Quebec

Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held on Wednesday, April 28, 1971 at 11:00 A.M. (Toronto time) in the Conference Room, 26th floor, 120 Adelaide Street West, Toronto, Canada.

Directors' Report

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1970.

Financial

Net earnings for 1970 were \$105,504 compared with net earnings of \$1,398,716 for the previous year. The substantial decrease in earnings is mainly attributable to the lower prices of copper. Copper prices dropped continuously from the first quarter of the year, the average price for the year being markedly below that for 1969. The adverse effect of the lower copper prices combined with a higher level of operating costs were only partially offset by a slight increase in payable pounds of copper produced. Because the Company did not claim depreciation or mine development expenses during its tax-exempt period which expired on February 28, 1969, it has had available sufficient of such expenses to eliminate taxable income since that date to the end of 1970 and to reduce 1971 taxable income. Accordingly, no provision has been made for income taxes. Full provision has been made for Provincial mining tax.

During the first half of the year the bank loan was paid off in full, repayments totalling \$550,000 having been made during the period. Payments totalling \$828,778 were made to Rio Algom Mines Limited, reducing the capital advances owing to that company to \$50,000 at December 31, 1970. Housing mortgages totalling \$382,518 were outstanding at the end of the year for which provision for payment has yet to be made. Working capital at the year end was \$1,207,161, a decrease of \$7,289 during the year.

Operations

Production at the Company's copper mine at Waden Bay in the Lac La Ronge district of Saskatchewan was as follows:

	1970	1969
Dry tons milled	314,902	298,092
Average daily rate — tons .	887	835
Average mill head grade		
— copper	1.7%	1.8%
Average mill recovery		
— copper	96.6%	96.0%
Production:		
Copper — payable		
pounds in concentrate	9,770,384	9,639,202
Gold — ounces	12,592	10,330
Silver — ounces	49,861	52,336

Production from the underground "A" ore zone by shrinkage mining continued to be limited by difficulty in mining the lenses that are smaller and more fractured than indicated by the original surface drilling and by the continued shortage of underground labour. To enable the milling rate to be maintained approximately 68,000 tons of ore mined from a surface pit on the "C" zone was used during the year to supplement production of ore from underground. This surface pit was in operation from mid 1969 until January, 1970, when all available ore had been mined and ore which had not been milled at that time was stockpiled. Although the mill head grade of the pit ore was considerably lower than from underground, resulting in an overall lower average grade, the overall effect has been that the contribution to earnings from the value of copper produced from the open pit, obtained at a lower cost than from underground, was significantly greater than the reduction in copper produced as a result of the lower grade pit ore. In addition, this

action has permitted more orderly development of the underground ore zones.

The two inclines commenced in 1969 were completed on schedule in the fall of the year, development completed and stoping commenced. The incline driven from underground to the southwest extension of the orebody is 1,828 feet long and the incline from the surface to the underground "C" ore zone is 1,848 feet in length. Both ore zones were developed and are being mined using trackless equipment. Mining efficiencies attained are satisfactory and copper grades are as indicated by surface drilling. Development of the underground "B" ore zone is continuing and stoping has commenced in the first stope block.

The Hudson Bay Mining and Smelting Company Limited smelter at Flin Flon, Manitoba, where the Company's production of copper concentrates are smelted, has been closed by a strike since January 26, 1971. The Anglo-Rouyn mine and mill are being operated at normal levels and copper concentrates produced are being stockpiled at the mill until such time as shipments to the smelter may be resumed.

Ore Reserves

Ore reserves as of June 30, 1970, computed by an independent consulting geologist, were estimated at a total of 862,000 tons of reasonably assured, probable and indicated ore with a grade of 1.85% copper. The previous estimate of ore reserves as of June 30, 1969, was a total of 916,000 tons with a grade of 1.88% copper. In the twelve months between the two estimates 309,000 tons of ore grading 1.63% copper was milled. Dilution in the "C" zone open pit from which 124,000 tons of ore were milled contributed to the low grade of ore during this period. Underground drilling carried out in the normal course of mining operations and a surface drilling program completed in the year did not result in significant finds of ore beyond the boundaries of existing ore reserves.

Labour Force

The shortage of labour, particularly experienced stope miners, persists despite a continued vigorous recruitment program. Labour turnover increased substantially over the previous year. Training courses for local residents were conducted during the year with continued success and locally recruited and trained employees now form an important nucleus of the underground force. The Company holds a top position in Saskatchewan industry supporting the Provincial Government sponsored "Indian and Metis Task Force".

Employee relations were excellent during the year and there were no strikes or work stoppages. The labour contract with the Tunnel and Rock Workers Local 168 representing the hourly rated employees expired on November 30, 1970. A new contract which will be in effect until May 31, 1973, has been negotiated.

Appreciation

Mr. J. A. Sadler who had been a Director since 1956, and Mr. A. C. Turner who had been a Director since 1969, resigned effective February 3, 1970. Mr. R. L. Shirriff and Mr. J. D. Taylor, Q.C., on February 18, 1970, were appointed Directors succeeding Messrs. Sadler and Turner.

Your Directors wish to express their appreciation to Mr. M. D. Lawton, Mine Manager, and to all the staff and employees for their loyal and effective efforts during the past year.

On behalf of the Board

R. D. ARMSTRONG
President

Toronto, Canada
March 5, 1971

Anglo-Rouyn Mines Limited
(Incorporated under the laws of Ontario)

Balance Sheet as

ASSETS

	<u>1970</u>	<u>1969</u>
CURRENT:		
Cash	\$ 67,205	\$ 30,317
Short term deposit	150,000	100,000
Settlements and accounts receivable	1,538,767	2,135,006
Provincial mining taxes recoverable	40,000	—
Concentrates on hand, at estimated realizable value	33,773	51,281
Ore in stockpile, at cost	—	185,819
	<u>1,829,745</u>	<u>2,502,423</u>
 INVESTMENT IN SHARES of Here Fault Copper Limited, at cost (no quoted market value)	 <u>40,000</u>	 <u>40,000</u>
 " FIXED, at cost:		
Plant and equipment	4,484,151	4,354,920
Less accumulated depreciation	2,843,877	2,167,875
	<u>1,640,274</u>	<u>2,187,045</u>
Mining properties, at cost (\$79,000) less accumulated amortization ..	24,316	35,066
	<u>1,664,590</u>	<u>2,222,111</u>
 DEFERRED EXPENDITURES AND OTHER ASSETS, at cost:		
Preproduction and development less amortization	1,113,349	1,318,325
Mine supplies	439,040	421,355
Prepaid expenses	5,860	—
	<u>1,558,249</u>	<u>1,739,680</u>
	<u>\$5,092,584</u>	<u>\$6,504,214</u>

Auditor

To the Shareholders of
Anglo-Rouyn Mines Limited:

We have examined the balance sheet of Anglo-Rouyn Mines Limited as at December 31, 1970 and the statements of earnings, retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

December 31, 1970

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1970</u>	<u>1969</u>
CURRENT:		
Bank loan (secured)	\$ —	\$ 550,000
Accounts payable and accrued liabilities	596,325	649,671
Due to Rio Algom Mines Limited	2,843	580
Provision for Provincial mining taxes	—	65,000
Housing mortgages payable within one year	23,416	22,722
	<u>622,584</u>	<u>1,287,973</u>
OTHER:		
Advances from Rio Algom Mines Limited	50,000	878,778
Housing mortgages less amount due within one year	359,102	382,069
	<u>409,102</u>	<u>1,260,847</u>
SHAREHOLDERS' EQUITY:		
Capital stock —		
Authorized:		
5,000,000 shares with a par value of \$1 each		
Issued:		
4,807,585 shares	4,807,585	4,807,585
Less discount on shares	2,766,447	2,766,447
	<u>2,041,138</u>	<u>2,041,138</u>
Retained earnings	2,019,760	1,914,256
	<u>4,060,898</u>	<u>3,955,394</u>
Approved on behalf of the Board:		
R. D. ARMSTRONG, Director.		
R. L. SHIRRIFF, Director.		
	<u>\$5,092,584</u>	<u>\$6,504,214</u>

Report

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 10, 1971

COOPERS & LYBRAND
Chartered Accountants

STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1970

	<u>1970</u>	<u>1969</u>
Revenue from production	\$6,331,228	\$7,295,000
Less marketing expense	<u>1,145,420</u>	<u>1,031,225</u>
	5,185,808	6,263,775
Operating expenses:		
Mining	1,800,605	1,697,039
Milling	241,109	215,084
Plant and utilities	1,022,631	820,618
Mine general expense	<u>741,579</u>	<u>626,341</u>
	3,805,924	3,359,082
Mine operating profit	<u>1,379,884</u>	<u>2,904,693</u>
Depreciation and amortization	1,164,630	1,152,063
Interest expense	33,939	154,347
Management fee	60,000	60,000
Executive office general expense	<u>15,811</u>	<u>14,567</u>
	1,274,380	1,380,977
Earnings before Provincial mining taxes	105,504	1,523,716
Provision for Provincial mining taxes	—	125,000
Net earnings for the year (note 1)	<u>\$ 105,504</u>	<u>\$1,398,716</u>

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1970

Balance, beginning of year	\$1,914,256	\$ 515,540
Net earnings for the year	<u>105,504</u>	<u>1,398,716</u>
Balance, end of year	<u>\$2,019,760</u>	<u>\$1,914,256</u>

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1970

	<u>1970</u>	<u>1969</u>
Source of funds:		
Net earnings for the year	\$ 105,504	\$1,398,716
Add depreciation and amortization which did not involve current outlay of funds	1,164,630	1,152,063
Total from operations	1,270,134	2,550,779
Non-current advances from Rio Algom Mines Limited	—	41,575
Special refundable tax	—	46,522
	<u>1,270,134</u>	<u>2,638,876</u>
Disposition of funds:		
Expenditures (net) for fixed assets	\$ 149,628	\$ 242,172
Expenditures for preproduction and development	252,505	79,047
Increase in mine supplies	17,685	56,781
Increase in prepaid expenses	5,860	—
Housing mortgage repayments	22,967	22,901
Repayment of advances from Rio Algom Mines Limited	828,778	—
	<u>1,277,423</u>	<u>400,901</u>
Increase (decrease) in working capital	<u>\$ (7,289)</u>	<u>\$2,237,975</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1970

1. Because the company did not claim depreciation or mine development expenses during its tax-exempt period which expired on February 28, 1969, it has available sufficient of such expenses to eliminate taxable income for the year. Accordingly no provision has been made for income taxes. It is estimated that no Provincial mining taxes are payable for 1970.
2. During the year ended December 31, 1970 the aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company was \$79,828.

Rio Algom

Rio Tinto

